



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

October 11, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 W. Temple St.
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE MEMORANDUMS OF UNDERSTANDING WITH THE CALIFORNIA
DEPARTMENT OF GENERAL SERVICES AND TRAVEL STORE, INC. TO ACCESS
THE STATE'S TRAVEL MANAGEMENT SERVICES AGREEMENT WITH TRAVEL
STORE, INC. AND ESTABLISH A COUNTY MANDATE REQUIRING USE OF THE
AGREEMENTS
(ALL DISTRICTS - 3 VOTES)**

SUBJECT

Approval of the recommended action to permit the Auditor-Controller to enter into Memorandums of Understanding (MOUs) with the State of California and Travel Store, Inc. to access the State's travel services agreement and adopt a new mandate requiring County business travelers to use the agreements.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve, and delegate authority to the Auditor-Controller, or her designee, to enter into Memorandums of Understanding (MOUs), similar to the attached, with the State of California (State), Department of General Services (DGS) and Travel Store, Inc. to permit the County to access the State's travel management services contract with Travel Store, Inc.
2. Adopt a new mandate that would require County business travelers to use the agreement with Travel Store, Inc. for all travel services.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County's current travel contract is set to expire on October 31, 2011. Our office conducted a review of the County's travel policy. During our review, a high priority was given to modernize the County travel procurement process at the least possible cost. By using a dedicated travel management service, the County can effectively provide consistency, accountability, and transparency for County travel expenditures. We learned that the State of California has entered into a master contract with a dedicated travel agency that can accommodate California local government agencies.

State of California Travel Services Program

In October 2009, the State of California released a Request for Proposals (RFP) for travel management services. After its evaluation process, the State selected and awarded the contract to Travel Store, Inc.

The State anticipated a model which allows local government agencies to join in the State's contract and explicitly included this provision in its RFP and agreement with Travel Store, Inc. The State successfully leveraged the anticipated volume from other government agencies and negotiated the lowest possible rates. Based on the thoroughness and success of the State's RFP process, we believe it is unlikely that the County would be able to achieve a more cost effective agreement. We are, therefore, recommending that Los Angeles County participate in the program.

The State contract also provides negotiated discount airfares with airlines referred to as the "YCAL" rate. These airfares are generally lower than those offered through generic travel agencies. They are fully-refundable and unrestricted, not subject to limited seating and may be changed or cancelled at any time without airline-imposed penalty.

Travel Store, Inc. is one of the County's existing contractors and our experience with this company has been favorable for the past five years. To date, at least 50 government jurisdictions and special districts are using the State's program. We contacted the City and County of San Francisco and Santa Clara County and their experience has been positive.

Online Reservation Capability

The County's current travel program is only accessible by telephone. With the popularity and convenience of the internet, many employees prefer to book their business travel online. As a result, we are experiencing a decline in travel booked through the contracted agencies. The lack of an online system also prevents the County from uniformly enforcing the requirements of our business travel policies, as outlined in the County Code and the County Fiscal Manual.

To address this issue, the State contract includes an online reservation system, similar to common reservation systems found online (Travelocity, Orbitz, Cheap Tickets, etc.) This system includes the ability to administer County travel policies, provides preferred YCAL rates and consolidates reporting of all travel related transactions and billing.

Cost Savings and Efficiencies

In 2010, the County spent approximately \$2.9 million in business air travel that included \$186,655 in service fees for the four existing travel agencies. The average service fee per transaction (for travel consultant assistance) ranged from \$15 to \$38, with the majority closer to \$38, not including additional charges for any changes.

This program is designed to search for, and identify, the lowest cost airfare while accommodating the traveler's logistical requirements. The ability to access YCAL airfares is also a significant factor in reducing the County's air travel costs.

In comparison, the State has a master travel contract with one dedicated travel agency, Travel Store, Inc., that can handle the travel needs of all government travelers, including the County. The State contract also includes an online reservation system, similar to common reservation systems found online. Service fees per transaction are \$5 for online reservations and \$10 for travel consultant assistance (except for Southwest Airlines, which is currently proposed at \$12 and \$14 per transaction and we are working with the State to negotiate lower fees). These new fee structures are significantly lower than the current fees paid by the County and they will not increase for the duration of the contract. We conducted a comparative cost analysis as follows:

2010-2011 L.A. County vs. State Airfare and Fee Comparison

	<u>Number of Transactions</u>	<u>Total Airfare Fees</u>	<u>Total Transaction Fees L.A. County Pays</u>
County Existing Travel Contractors	6,964	\$2,907,015	\$186,655
State Contract	6,964	<u>\$1,518,152</u>	<u>\$ 67,551</u> *
Savings %		\$1,388,863 = 48%	\$119,104 = 64%

*For comparison purpose, an average fee of \$7.50 for online and \$13 for consultant assistance was used.

Mandated Use of the County's Travel Program

In our review, a significant amount of current County business travel is initiated by employees via online and other travel services with minimum or no oversight due primarily

to lack of mandate in using one of the County's four travel contracts. When County employees make travel arrangements outside of the County's vendor contract, they must use their own funds to initially pay for the travel charges. In many cases, the County is advancing funds to employees for this purpose or the cost is reimbursed when the employee submits an expense claim. Expense claims typically contain a variety of reimbursement items and are not captured in a central database. This practice has led to incomplete information about the location, purpose, and cost of County business travel.

Under the proposed new travel policy, the County will require business travelers to use the new Travel Store, Inc. agreement, which is equipped to provide the lowest fares, process standardization, cost reduction per travel transaction, and an improved and comprehensive cost tracking mechanism. Advance payments to employees for business travel would be eliminated as the County is directly charged when business travel is booked through the mandated program. The use of advance payments to employees requires costly follow-up activities by departmental fiscal staff to reconcile the amount advanced with the actual cost of travel. These activities, and the need to potentially recover overpaid advances from employees, would be avoided under the new program.

Implementation of Strategic Plan Goals

Approval of the recommended actions is consistent with the County's Strategic Plan Goal 1 – Operational Effectiveness. Specifically, these recommendations also support the Chief Executive Office's efficiency initiatives for achieving cost savings, cost avoidance, and time savings for County employees.

FISCAL IMPACT/FINANCING

Approval of the recommendations will enable the County to measure the full cost of business travel incurred by each department and for the entire County. Funding is included in the Auditor-Controller's transportation budget to centrally pay for the contracted services and funds are also included in the departments' budgets, which will be billed for actual travel costs. As previously discussed, we anticipate cost savings for the direct cost of travel, as well as travel agent fees.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The State's agreement with Travel Store, Inc. remains in effect until April 4, 2012, at which time the State will have the sole option to extend the contract term upon agreement with Travel Store, Inc. for three (3) one-year terms. At this time, the State intends to execute the option agreement to continue the services for at least one year beyond April 4, 2012.

The County currently qualifies as an 'Optional User' stipulated under the 'Scope of Work' outlined in the State contract. With Board approval, the County will enter into MOUs with the State and Travel Store, Inc. to specifically identify the County as a

recipient of business travel and management services as outlined in the aforementioned State contract. The MOUs have been approved as to form by County Counsel.

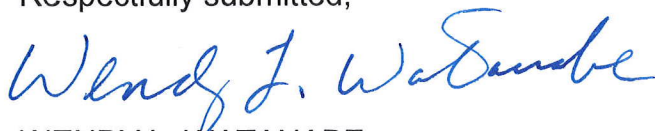
IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will enhance the current level of service by providing County travelers with the efficiency and convenience of a modern online reservation system. The required use of the new travel program will provide assurance that County business travel is conducted in the most economic manner. Further, it will improve accountability and enable the County to identify the purpose and full cost of its business travel spending.

CONCLUSION

The Executive Office, Board of Supervisors, is requested to return one stamped copy of the approved Board letter to the Auditor-Controller.

Respectfully submitted,



WENDY L. WATANABE
Auditor-Controller

WLW:JN:CC:kk

Attachments

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer, Board of Supervisors

**Memorandum of Understanding between
Travel Store, Inc. and County of Los Angeles**

This is a Memorandum of Understanding (MOU) between **Travel Store, Inc.** (AGENCY), located at 707 3rd Street, West Sacramento, California 95605 and **County of Los Angeles, Auditor-Controller** (COUNTY) located at 500 W. Temple St, Suite 502, Los Angeles CA 90012.

Whereas the AGENCY identifies the COUNTY as a qualifying 'Optional User' stipulated under the 'Scope of Work' outlined in the Statewide Travel Program Travel Management Services Contract #3145824 (CONTRACT). The full CONTRACT can be located at www.dgs.ca.gov/travel.

Indemnification

Whereas the AGENCY agrees to indemnify, defend and hold harmless the COUNTY, its Special Districts, elected and appointed officers, employees, and agents from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with the AGENCY'S acts and/or omissions arising from and/or relating to the aforementioned Contract.

Whereas the AGENCY agrees to maintain confidentiality of all its records, including but not limited to billings, COUNTY records, and passenger records, in accordance with all applicable Federal, State and local laws, regulations, ordinance and directives relating to confidentiality. AGENCY shall inform all of its officers, employees and agents providing services hereunder of the confidentiality provisions of the proposed MOU.

Services

Whereas AGENCY agrees to provide business travel and management services to COUNTY as outlined in the aforementioned CONTRACT. These services included but are not limited to:

1. Reservation System

AGENCY shall provide access to the Concur online booking tool and will set up with any provisions, as provided by the COUNTY.

2. Travel Office Staff

AGENCY will provide an account manager and other personnel who are experienced in making travel arrangements. Hours of operation will be Monday-Friday, 8am-5pm. Excluding all holidays observed by the COUNTY.

3. 24-Hour Traveler Emergency Service Assistance

COUNTY'S travelers have access to AGENCY's 24-hour Traveler Emergency Service Assistance. This service is available 24/7/365, and subject to an additional service fee of \$16 per call. Usage will be itemized as a separate item on COUNTY'S

monthly Service Fees Invoice. Detailed back-up of usage will be provided for COUNTY'S reference and records.

Independent Contractor Status

This MOU is by and between AGENCY and COUNTY and is not intended, and shall not be constructed, to create the relationship of agent, servant, employee, partnership, joint venture, or association, as between the AGENCY and the COUNTY. The employees and agents of one party shall not be, or constructed to be, the employees or agents of the other party for any purpose whatsoever.

The AGENCY shall be solely liable and responsible for providing to, or on behalf of, all persons performing work pursuant to this MOU all compensation and benefits. The COUNTY shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, Federal, State, or local taxes, or other compensation, benefits, or taxes for any personnel provided by or on behalf of the AGENCY.

The AGENCY understands and agrees that all persons performing work pursuant to this MOU are, for the purposes of Workers' Compensation liability, solely employees of the AGENCY and not employees of the COUNTY. The AGENCY shall be solely liable and responsible for furnishing any and all Workers' Compensation benefits to any person as a result of any injuries arising from or connected with any work performed by or on behalf of the AGENCY pursuant to this MOU.

Term and Termination

AGENCY agrees to notify the COUNTY of pending acquisitions/mergers/insolvency by the AGENCY at least (90) days in advance.

This MOU is effective as of November 1, 2011 upon the COUNTY'S Board approval and may be terminated for convenience by either party upon sixty (60) days written notice to the other party.

IN WITNESS HEREOF, the parties hereby represented have caused this MOU to be executed on their behalf by their duly authorized officers hereto present:

Travel Store, Inc.

County of Los Angeles

By: **TRUDY FLORES**
Sr. Vice President/General Manager

By: **WENDY L. WATANABE**
Auditor-Controller

Date: _____

Date: _____

End of agreement.

DRAFT

ATTACHMENT II

**Business Travel Memorandum of Understanding
State of California and County of Los Angeles**

This is a Memorandum of Understanding (MOU) between the **State of California, Department of General Services, Department of General Services** (STATE) located at 707 Third St., West Sacramento, CA 95605 and **County of Los Angeles, Department of Auditor-Controller** (COUNTY) located at 500 W. Temple St, Suite 502, Los Angeles CA 90012.

Whereas the STATE identifies the COUNTY as a qualifying 'Optional User' stipulated under the 'Scope of Work' outlined in the Statewide Travel Program Travel Management Services Contract #3145824 (CONTRACT). The full contract can be located at www.dgs.ca.gov/travel.

Whereas the STATE agrees to perform as the COUNTY's advocate to remedy any non-compliance issues arising with the STATE's Contacted Travel Agency (AGENCY) in the course of providing business travel and management services to the COUNTY as outlined in the aforementioned CONTRACT.

Whereas the STATE agrees to notify the COUNTY of pending acquisitions/mergers by the AGENCY. The STATE shall notify the COUNTY of any pending acquisitions/mergers of the AGENCY within (5) business days of first receiving the information.

Term and Termination

This MOU is effective as of November 1, 2011 upon the COUNTY's Board approval and may be terminated for convenience by either party upon sixty (60) days written notice to the other party.

IN WITNESS HEREOF, the parties hereby represented have caused this MOU to be executed on their behalf by their duly authorized officers hereto present:

**State of California
Department of General Services**

**Los Angeles County
Department of Auditor-Controller**

By: _____
NAME
Title

By: **WENDY L. WATANABE**
Auditor-Controller

Date:

Date:

End of agreement.